

Message Text

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TO AMEMBASSY KINSHASA

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C O N F I D E N T I A L STATE 035191

E.O. 11652: GDS

EFIN, EPAP, CG

TAGS: EFIN, EPAP, CG

SUBJECT:CONTINENTAL GRAIN WHEAT SHIPMENTS

1. EGGER OF CONTINENTAL GRAIN CALLED FEBRUARY 13 TO REPORT INABILITY BCZ GET CONFIRMATION OF LETTER OF CREDIT FOR SHIPMENT OF WHEAT FOR MIDEMA NOW LOADING AT U.S. PORT. CONTINENTAL HAS 4 MILLION DOLLARS UNCOVERED EXPOSURE ON WHEAT ALREADY DELIVERED TO ZAIRE (2.5 MILLION DOLLARS DELIVERED UNDER THREE-YEAR CREDIT, HALF PAYABLE IN 1975, HALF IN 1976; AND 1.5 MILLION DOLLARS ON OPEN ACCOUNT PAYABLE SHORTLY). THEY HAVE ANOTHER 2.6 MILLION DOLLARS ENROUTE, ALSO ON OPEN ACCOUNT, IN TWO SHIPS RESPECTIVELY FOUR AND NINE DAYS FROM MATADI. THE SHIPMENT NOW LOADING (WORTH ABOUT 1 MILLION DOLLARS) THEY HAD PLANNED DELIVER ON CONFIRMED LETTER OF CREDIT BASIS. ACCORDING EGGER, THEIR POLICY HAS BEEN TO MAINTAIN MIX OF OPEN ACCOUNT AND LETTER OF CREDIT SALES.

2. GIVEN ZAIRE'S PRESENT FOREIGN EXCHANGE POSITION,
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CONTINENTAL UNDERSTANDABLY NERVOUS ABOUT EXTENDING THEIR

EXPOSURE. WITH DISCONTINUATION IN DECEMBER OF FCIA PROGRAM FOR WHEAT, THEY ARE NO LONGER ABLE GET POLITICAL RISK INSURANCE. (IN ADDITION 4 MILLION DOLLARS UNCOVERED EXPOSURE DESCRIBED ABOVE, CONTINENTAL HAS ABOUT 2 MILLION

DOLLARS EXPOSURE WHICH IS COVERED BY FCIA INSURANCE.) AT THE SAME TIME, THEY RECOGNIZE POLITICAL RISKS, FOR THEM AND FOR USG, OF INTERRUPTING WHEAT SHIPMENTS.

3. AFTER REVIEWING WITH US POLITICAL AND ECONOMIC SITUATION IN ZAIRE, EGGER INDICATED HE WOULD RECOMMEND TO HIS MANAGEMENT THAT ONE OF THE TWO SHIPS EN ROUTE TO MATADI BE DIVERTED ELSEWHERE AND THAT SHIP PRESENTLY LOADING ALSO BE DIVERTED, TO BE REPLACED IN A MONTH, IF FINANCIAL PICTURE THEN BRIGHTER, WITH ANOTHER SHIP WHICH BY GOING DIRECT WOULD ARRIVE MATADI ABOUT SAME TIME SHIP PRESENTLY LOADING WOULD HAVE ARRIVED. THIS WOULD GIVE COMPANY A MONTH TO TRY TO WORK OUT SATISFACTORY FINANCIAL ARRANGEMENTS WITHOUT EXTENDING ITS EXPOSURE BEYOND PRESENT LEVEL PLUS ROUGHLY 1 MILLION DOLLARS REPRESENTED BY THE SHIPMENT NOW ENROUTE WHICH WOULD NOT BE DIVERTED. ACCORDING TO EGGER, NET LOSS OF ONE SHIP FROM PIPELINE WOULD PROBABLY REQUIRE MIDEMA CURTAIL PRODUCTION SOMEWHAT IN APRIL BUT WOULD HAVE NO EFFECT ON FLOUR AVAILABILITY GIVEN LEVEL OF STOCKS ON HAND IN COUNTRY. EGGER ALSO CONFIDENT THAT DIVERSION OF ONE OF THE TWO SHIPS PRESENTLY EN ROUTE CAN BE CAMOUFLAGED AS ROUTINE COMME, "IAL ADJUSTMENT. DECISION TO DIVERT OR NOT TO DIVERT WILL BE MADE FEB. 14.

4. EGGER REPORTS MIDEMA NOW SEEKING AGREEMENT WITH COMMERCIAL AND CENTRAL BANK ON FINANCIAL TERMS FOR FURTHER SHIPMENTS WHICH WOULD BE MUTUALLY ACCEPTABLE FOR DURATION OF FINANCIAL PINCH (E.G., 50 PERCENT FOREIGN EXCHANGE AGAINST DOCUMENTS, 50 PERCENT PAYABLE IN NINE MONTHS WITH GOZ GUARANTEE). EGGER STRESSED CONTINENTAL WILLING ACCEPT STRETCH-OUT AS LONG AS IT HAS ADEQUATE ASSURANCE OF EVENTUAL PAYMENT.

5. COMMENT: ASSUME CONTINENTAL WILL FOLLOW EGGER
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PROPOSAL PARA THREE ABOVE. QUESTION IS, WHAT WILL COMPANY DO A MONTH FROM NOW IF NO SATISFACTORY FINANCIAL ARRANGEMENTS CAN BE MADE FOR NEXT SHIPMENT AND, IF IT SHOULD DECIDE NOT TO SHIP, WHAT GOZ WILL DO ONCE IT BECOMES AWARE MI;EMA NO LONGER IMPORTING WHEAT. PRESUME THIS AWARENESS WOULD COME WELL BEFORE ANY RESULTING PINCH IN FLOUR SUPPLY. INGERSOLL

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